

ECONOMIC SOURCES OF POLITICAL FRUSTRATION
IN
MAINLAND CHINA

A great deal of the current internal political strife in Mainland China can be traced to the agonizing alternatives facing the leaders of the country in the area of economic development, according to a detailed study just released by the Joint Economic Committee of the Congress. The kind of problems which the economic planners of Communist China have encountered in recent years have been, in the light shed by the present study, intractable enough to generate serious political dissension among the upper layers of the political leadership of the nation. Sharp differences of opinion have arisen between the economic realists, on the one hand, who would like to see China develop into a modern industrial society and the political dogmatists, on the other, who are determined to maintain China as a base for world revolution.

One of the staggering economic problems facing China today is the search for an acceptable balance between a rapidly growing population and a limited supply of arable land. China, as indicated in one of the chapters of the Joint Economic Committee study, accounts for nearly 25 percent of the population of the world but it contains within its borders only 7.8 percent of the world's cultivated land. What this means, in comparative terms, is that the supply of arable land amounts to only 0.35 acres per inhabitant, as compared with 1.9 acres per person in the United States.

Agriculture is still the mainstay of economic life in Mainland China, where 80 percent of the population at present derive their livelihood from farming. As far as the national economy as a whole is concerned, the farm sector is also an important source not only of raw materials for the consumer goods industries but also of the kind of export commodities that have been earning the bulk of the country's foreign exchange in the recent past.

The economic planners of China, who are at all times hard pressed to conserve investment resources, have been confronted by two alternatives in their drive to expand farm production in the country. To date, however, they have found both choices equally high in cost. An increase in total farm output by way of extending the cultivated areas has proven to be expensive because much of the Western two-thirds of the country, where the additional acreage is to be found, is characterized by rugged terrain as well as by unfavorable soil and climate conditions. The alternative approach, by way of raising the yield of the acreage already in use with the aid of modern intensive farming methods, can be pursued, again, only with the aid of additional, expensive production inputs.

As shown by the record in agriculture to date, the policies pursued by the Chinese Government during the fifties succeeded in producing a modest per capita increase in farm output. However, the wave of drastic, experimental innovations that came with the Great Leap Forward in 1958 brought disruption to this pattern of modest growth. The unsuccessful experiment in revolutionary farming inflicted serious losses in large (draft) animals as well as arable farmland. Slow recovery from the impact of the Great Leap did not begin until the present decade. To this day, however, the population of China has not regained the level of food consumption attained in 1958.

From the standpoint of China's leadership, however, it is the industrial rather than the farm sector that holds the key to success in the international political arena. Industrial growth is envisioned in Peking primarily in terms of the expansion of the capital goods industries which are capable of supporting a high rate of new industrial investment, i.e. the construction of new plant and equipment.

Today, China is investing in economic expansion some 20 percent of the country's gross national product, or approximately a rate previously attained during the early fifties. Such a rate of investment is generally considered to be an adequate basis for altering gradually the economic environment within China. It has become clearly evident in recent years, however, that the pattern of investment allocation has become the focal point of political dissension at the apex of political power in the country. The unresolved issue in internal Chinese politics today is whether to accept a feasible rate of economic growth within the constraint of the investment resources at hand or, alternatively, to devote most of the available resources to the goal of overcoming China's present military weakness and

- 2 -

continued dependence on outside economic support. Any delay in pursuing the goal of major international achievements, in the view of the followers of Mao, is intrinsically dangerous because it would tend to inhibit and discredit the all-important revolutionary drive to change the political environment of the world. "Thus, it is China's ambition, rather than a clear lack of resources, that limits its economic growth and threatens its stability" (p. 85).

At the present rate of growth, within the industrial sector, the consumer goods branches of industry are not in a good position to regain their previous peak levels by the end of the third Five-year Plan (1970) because of the poor performance of agriculture. In heavy industry, the drain of the weapons program is most likely to have some negative effect on the growth capacity of these branches of production. Hence, China's industry as a whole can be expected to grow during the next few years at a rate of some 5 percent a year and thus regain the previous (1960) peak level of output by 1970. In other words, "the misguided economic policies of the Great Leap Forward will have cost China a full decade of industrial growth." (p. 285).

The peak period in the overall growth of the economy of Communist China came during the early fifties. As estimated in the Committee's study, China registered a growth rate of 6 percent during 1952-57, a respectable rate by current international economic standards. The economic well-being of the population, however, did not improve correspondingly during the same period of maximum growth. Per-capita consumption, which is as good a standard measure of economic well-being as any, grew at a modest pace of 1.9 percent. In this respect, therefore, China had not regained the pre-war 1933 level by the end of 1957.

The momentum of steady economic growth in the country was interrupted sharply by the revolutionary economic policies initiated in 1958. By all accounts, the Great Leap policies had a seriously depressing effect on labor incentives in the villages as well as in the cities.

As the level of economic performance sharply declined throughout the economy, the Government was forced to relax the worst features of the Great Leap policies. Following the marked relaxation, the economy began to recover slowly in 1962. By 1965, the country's gross national product regained the 1958 level.

In the upshot, however, a total of seven years were lost by the economy of Mainland China without any growth. For the leadership of China this must have been a period of extreme frustration in view of the fact that during the same span of years most of the countries around the globe experienced a healthy measure of growth and development.